

**Joseph T. Rannazzisi
Deputy Assistant Administrator
Office of Diversion Control
Drug Enforcement Administration
U.S. Department of Justice**

Regarding

“The National Synthetic Drug Control Strategy”

Before The

**House Government Reform Committee
Subcommittee on Criminal Justice, Drug Policy and
Human Resources**



June 16, 2006
2247 Rayburn House Office Building
Washington D.C.

INTRODUCTION

Chairman Souder, Ranking Member Cummings, and distinguished members of the House Government Reform Committee - Subcommittee on Criminal Justice, Drug Policy and Human Resources, on behalf of the Drug Enforcement Administration (DEA), I appreciate your invitation to testify today regarding DEA's efforts to support the Administration's *Synthetic Drug Control Strategy*.

OVERVIEW

The *President's National Drug Control Strategy* is the core document that describes the Administration's strategic approach for reducing illicit drug use in the United States. The Administration's *Synthetic Drug Control Strategy - A Focus on Methamphetamine and Prescription Drug Abuse*, is a companion document to the *President's National Drug Control Strategy*. While this and past Administrations have traditionally avoided promulgating drug control strategies focused on a single drug, or a single category of drugs, the unique nature of the illicit market for synthetic drugs warrants a targeted response as the illicit markets for synthetic drugs contain unique challenges and vulnerabilities. The *Synthetic Drug Control Strategy* also adheres to the format of the *President's National Drug Control Strategy* by setting goals, specifically for reducing synthetic drug use primarily of methamphetamine and non-medical prescription drug use. Another goal is that of reducing domestic methamphetamine laboratories.

DEA's efforts to address the synthetic drug problem have been ongoing literally for decades. Fast forwarding to recent history, the landscape has changed. Many of the drug trafficking organizations are of a poly-drug nature and present large quantities of methamphetamine to the domestic market. These organizations are mainly based internationally. Another phenomenon faced by the DEA has been the small toxic clandestine labs (STLs) that have been prevalent and abundant across the country. The *President's National Drug Control Strategy* and the *Synthetic Drug Control Strategy* have established a framework on which DEA will continue to perform its mission in support of those strategic goals. DEA has worked with ONDCP to implement a comprehensive strategy to reduce the availability of these substances, to strengthen international and domestic law enforcement mechanisms, and to be innovative in so doing. DEA is fully committed in its role to meet the ambitious goals set forth in the *Synthetic Drug Control Strategy* within the established time frame.

METHAMPHETAMINE

It is a unique synthetic drug in that its production requires no specialized skill or training, and its various recipes are readily available on the Internet. Its precursor chemicals also have historically been easy to obtain and inexpensive to purchase. These factors have contributed to methamphetamine's rapid sweep across our nation.

One of the primary threats posed by this drug is its addictive ability, which produces devastating effects on all of its victims. These victims are not only limited to those who choose to use this poison but others who become part of what could be considered methamphetamine's "collateral damage." These include the victims of methamphetamine-related crimes, innocent children whose homes have been turned into clandestine lab sites, law enforcement officers that work with the hazardous materials found at lab sites, and even the environment.

Methamphetamine also presents a dual threat to law enforcement authorities. They must simultaneously combat both the STLs and the "super labs," which are primarily controlled by Mexican drug trafficking organizations and are supplying the majority of the methamphetamine consumed in this country.

The critical element in combating each of these types of labs is the control of methamphetamine's primary precursor chemicals: ephedrine and pseudoephedrine.

Methamphetamine has left a mark on the United States, and it is increasingly becoming a problem in many parts of the world. The DEA, through our law enforcement partnerships across the country and around the world, has initiated successful investigations that have disrupted and dismantled significant methamphetamine trafficking organizations. We also have taken an active role in fighting the diversion of ephedrine and pseudoephedrine through both enforcement operations and international agreements. These initiatives have resulted in a substantial reduction in the amount of precursor chemicals entering the United States. However, we have seen a shift in the flow of these precursor chemicals to Mexico.

While law enforcement has had success in the fight against methamphetamine, much work remains to be done. Domestically, our law enforcement efforts have been aided by legislation passed by a number of states, which placed restrictions on the sale of methamphetamine's precursor chemicals. Through the reauthorization of the USA PATRIOT Act, specifically Title VII—Combat Methamphetamine Epidemic Act of 2005, additional tools were provided by Congress to enhance law enforcement efforts both domestically and internationally. DEA will avail itself of these new tools and ongoing initiatives to reduce the threat posed by methamphetamine to the United States and its partners around the world.

Domestic Situation

Methamphetamine found in the United States originates from two general sources controlled by two distinct groups. Most of the methamphetamine consumed in the United States is produced by Mexico-based and California-based Mexican traffickers. These drug trafficking organizations control "super labs" (a laboratory capable of producing 10 pounds or more of methamphetamine within a single production cycle) and produce the majority of methamphetamine available throughout the United States. Current drug lab seizure data suggests that roughly 80 percent of the methamphetamine used in the United States comes from these larger labs, which are increasingly found in Mexico.

These same Mexican criminal organizations control most wholesale, mid-level, and retail methamphetamine distribution in the Pacific, Southwest, and west-central regions of the United States, as well as much of the distribution in the Great Lakes and Southeast regions.

The second source for methamphetamine in this country comes from STLs, which produce relatively small amounts of methamphetamine and are not generally affiliated with major trafficking organizations. A precise breakdown is not available, but it is estimated that STLs are responsible for approximately 20 percent of the methamphetamine consumed in this country. Initially found only in the most Western states, there has been a steady increase and eastward spread of STLs in the United States. Many methamphetamine abusers quickly learn that "recipes" are easily accessible over the Internet, that its ingredients are available in many over-the-counter cold medications and common household products found at retail stores and that the production of methamphetamine is a relatively simple process. These factors have helped serve as a catalyst for the spread of methamphetamine across the country.

Domestic Initiatives

With respect to DEA's domestic efforts, we are redirecting the focus of our Mobile Enforcement Teams (METs) and Clandestine Laboratory Enforcement Teams (CLETs). The significant reduction in domestic STLs will allow these teams to refocus their efforts at targeting Mexican methamphetamine trafficking organizations by tracing chemicals, finished methamphetamine, and proceeds to organizational leaders in the U.S. and Mexico, rather than merely locating and cleaning up labs. An additional focus of

these teams will be to identify and dismantle U.S.-based transportation and distribution cells. Other domestic initiatives will include a national listing on the DEA Web site of the addresses of properties in which methamphetamine labs or chemical dumpsites have been found. The registry will provide owners or renters with notice that a property may once have been used to produce methamphetamine and that there may be potential toxic hazards within the property.

In addition, a new clandestine lab training facility at the DEA Academy in Quantico, Virginia will be established in the fall of 2006. At this state-of-the-art facility, DEA will train U.S. and foreign law enforcement officials on the latest techniques in clandestine lab detection, enforcement, and safety.

DEA's longstanding enforcement efforts against methamphetamine include utilizing the Consolidated Priority Organization Targets (CPOTs) List, the Priority Target Organization (PTO) program, and the Organized Crime Drug Enforcement Task Force (OCDETF) program. The programs all provide assistance in identifying and targeting the most significant methamphetamine trafficking organizations, with the intent to disrupt and dismantle the organizations.

The FY 2006 CPOTs list has identified 7 of the 46 designated organizations as being engaged in methamphetamine trafficking. At the end of the second quarter of FY 2006, the DEA had 149 active PTO investigations linked to those 7 CPOTs, of which 28 were active PTO investigations with methamphetamine as the primary type of drug. Since the inception of the PTO program in 2001, the DEA has either disrupted or dismantled in excess of 460 PTOs, where methamphetamine was the primary drug involved.

To further coordinate and focus our methamphetamine and precursor chemical initiatives, the FY 2006 Department of Justice (DOJ) Appropriations Act directs the Attorney General to establish a Methamphetamine Task Force (MTF) within DEA. The purpose of the Task Force is to improve and target the Federal government's policies with respect to the production and trafficking of methamphetamine. The MTF is comprised of three DEA Special Agents, two Diversion Investigators (DIs), three attorneys, and one Program Analyst. These are veteran personnel with extensive experience and knowledge in the field who will collect and analyze investigative and intelligence information from numerous sources. Their analysis will focus on trends in chemical trafficking and manufacturing methods, changes in trafficking routes and patterns, and regional abuse and distribution patterns. They also will analyze and monitor foreign and domestic precursor sources and trafficking trends, as well as methods of financing. In addition, the MTF will be involved in tracking sources of chemicals and equipment as well as methods of procurement and clandestine laboratory cleanup issues. Another aspect of the MTF's duties will involve the proposal of various recommendations addressing issues that are identified from their analysis. These recommendations will be forwarded to the National Synthetic Drugs Interagency Working Group for review and action.

International Situation

The manufacture and use of methamphetamine is not a problem confined to the United States, but rather it is a drug that has spread to many regions of the world. In fact, the International Narcotics Control Board (INCB) noted in its 2005 report "Precursors and Chemicals Frequently Used in the Illicit Manufacture of Narcotic Drugs and Psychotropic Substances" that illicit manufacture of methamphetamine is spreading throughout the world at an alarming rate. Specifically, the INCB indicates that the illicit manufacture of amphetamine-type stimulants (ATS)¹, in particular, methamphetamine, is spreading in North America, Southeast Asia, and increasingly, to other areas such as Africa, Eastern Europe, and Oceania. The report

¹ In Europe and Asia, the term "amphetamine-type stimulants" is used rather than a specific reference to methamphetamine. This term is also used by the United Nations. ATS generally refers to amphetamine, methamphetamine, and MDMA (Ecstasy), and its analogues.

further stated that the spread of methamphetamine is due to the simple manufacturing process and the availability of the required precursors.

International Initiatives

From DEA's perspective, international cooperation is the key in combating methamphetamine. Some of the most significant and successful international efforts to combat methamphetamine involve a series of enforcement initiatives worked jointly between law enforcement in the United States and Canada from the late 1990s into 2003. These enforcement initiatives, known as Operations MOUNTAIN EXPRESS I, II and III and Operation NORTHERN STAR, were principally responsible for the significant reduction in the amount of pseudoephedrine entering the United States for use in Mexican-controlled super labs. In turn, most of the super labs and the pseudoephedrine needed for them moved from the United States to Mexico.

The DEA is the lead agency in working with our Mexican counterparts to combat methamphetamine. Since 2001, the DEA has provided or sponsored training on numerous occasions for our Mexican counterparts in the areas of clandestine laboratories, chemical training, and related prosecutions. Training has been provided to officials who regulate precursor chemicals and pharmaceuticals at the state and Federal level within Mexico, as well as agents from the Agencia Federal de Investigaciones (AFI) and a number of prosecutors within the Mexican Organized Crime Unit (SIEDO). The combined numbers of students who have received training through these cooperative efforts exceed 450. In addition, the United States and Mexico have jointly obtained a commitment from Hong Kong not to ship chemicals to the United States, Mexico, or Panama until receiving an import permit, or equivalent documentation, and to pre-notify the receiving country before shipment.

Mexico has independently implemented several controls on pseudoephedrine in cooperation with industry, and is considering others. Those implemented now, or planned soon, include: (1) limiting retail sales to pharmacies; (2) limiting sale quantities to three boxes of 60 milligram or more combination pseudoephedrine products; and (3) distributors voluntarily agreeing to limit sales to customers with appropriate government registrations (pharmacies) and with legitimate commercial needs. Mexico also imposed recently a policy limiting imports of pseudoephedrine and ephedrine to manufacturers only. Wholesale distributors are barred from importing raw material pseudoephedrine and ephedrine, and importers are limited to shipments of no more than 3 metric tons at a time.

Very recently, Mexico began imposing import quotas tied to estimates of legitimate national needs, which are based on extrapolations from a large population sample. A study conducted by The Federal Commission for the Protection against Sanitary Risk (COFEPRIS) revealed that there is an excess of imports of pseudoephedrine products of approximately 60 to 100 metric tons. The DEA has been advised that it is the Government of Mexico's (GOM) intention to reduce pseudoephedrine and ephedrine importation permits to 70 tons, in total for 2006. These permits are to be split evenly among the Mexican-based pharmaceutical manufacturing companies. This is a significant reduction from the 2005 pseudoephedrine and ephedrine importation levels. Mexican officials have further advised that this 70-ton limit also applies to combination products containing pseudoephedrine and/or ephedrine.

An example of Mexico's interdiction efforts concerning pseudoephedrine occurred during December 2005, when approximately 3.2 metric tons (approximately 5.1 million pseudoephedrine combination tablets) of pseudoephedrine were seized by Mexican authorities in the Port of Manzanillo, Mexico. The tablets were concealed within a shipment of electric fans, which were packaged in approximately 1,260 boxes. During the follow-up joint investigation conducted by DEA and Hong Kong Customs and Excise Department, officials disclosed that the shipment originated in mainland China and transited one of the mainland China/Hong Kong border crossings before being subsequently loaded on a marine vessel en route to Mexico.

At the May 2006 National Methamphetamine and Chemicals Initiative (NMCI) Strategy Conference in Dallas, Attorney General Gonzales announced important new anti-methamphetamine domestic initiatives, as well as new partnerships between the U.S. and Mexico in fighting methamphetamine trafficking. Joined by Mexican Attorney General Daniel Cabeza De Vaca, Attorney General Gonzales unveiled DOJ-led initiatives aimed at addressing improved enforcement, increased law enforcement training, improved information-sharing, and increasing public awareness.

Among the U.S./Mexico partnership efforts is an agreement between DEA and the GOM to establish specialized methamphetamine enforcement teams on either side of the border. In Mexico, these teams will focus on investigating and targeting the most wanted Mexican methamphetamine drug trafficking organizations, while DEA-led efforts on the U.S. side will focus on the methamphetamine traffickers and organizations transporting and distributing the finished methamphetamine being produced in Mexico.

Other initiatives that are part of the U.S./Mexico partnership include:

- A new DEA and Customs and Border Protection Service effort to focus on ports of interest within the United States targeting suspicious cargo that is likely to be related to methamphetamine trafficking organizations;
- A Bi-national Law Enforcement Working Group that will focus on methamphetamine production and trafficking from both an enforcement and intelligence perspective;
- A DEA and Mexican National Conference for Information, Analysis and Planning in Order to Fight Crime (CENAPI) effort to further share intelligence information and continue to develop stronger working relationships. Such collaborative efforts will focus on investigating large-scale methamphetamine trafficking organizations that are operating in Mexico and the United States.
- A jointly developed DEA and Mexican police Most Wanted List of chemical and methamphetamine trafficking organizations that will focus bilateral law enforcement efforts on the biggest threats;
- An agreement between the DEA Office of Diversion Control and Mexico's chemical regulatory agency, COFEPRIS, to a personnel exchange in which chemical regulatory experts from within each agency will be embedded within the other's agency for a specific period to observe, learn best practices, and then implement joint strategies complimentary to both regulatory agencies;
- Eight DEA trucks used in clandestine lab enforcement operations that have been refurbished and donated to Mexico to be used by the above referenced specialized Mexican enforcement teams; and
- In conjunction with the Department of State's (DOS) Bureau for International Narcotics and Law Enforcement Affairs (INL), DEA will provide training for nearly 1,000 Mexican police officials to focus on a variety of investigative, enforcement, and regulatory methods related to methamphetamine trafficking.

Another important aspect of our international efforts to combat this drug has been the assignment of DIs to a number of our foreign offices. These DIs, through their knowledge of pharmaceuticals and chemicals, play a critical role in preventing the diversion of List I chemicals and pharmaceutical controlled substances. The DIs coordinate with foreign host country counterparts to establish effective systems of chemical controls and ensure customers in foreign countries receiving U.S. exports of pharmaceutically controlled substances are in fact legitimate companies.

Precursor Chemical Control Efforts

In addition to these efforts with Mexico, the DEA, operating under the auspices of Project Prism, hosted a meeting in February in Hong Kong for law enforcement and regulatory officials of producing countries of ephedrine/pseudoephedrine and 3-4 methylenedioxyphenyl-2-propanone (PMK). The objective of this meeting was to develop and enhance systems for voluntary cooperation in data collection and exchange in law enforcement channels to build a consensus towards exchange of information on pharmaceutical preparations containing ephedrine and pseudoephedrine, as well as bulk precursor chemicals. This was the first time that almost all of the countries that produce these chemicals and those countries affected by methamphetamine have sat down together to discuss this problem. While there were some differences of opinion as to the manner and channels in which information regarding the licit trade in these substances should be exchanged, it was important to bring precursor chemical producing nations and nations in which illicit drug manufacturing occurs together for candid discussions. The communication that occurred between countries attending the open forum meeting was encouraging. The DEA, in cooperation with the DOS, will continue discussions with all involved countries. The discussions will seek to determine the worldwide production of these chemicals, to further identify producers and distributors, to gain better insight as to what form (bulk versus tablets) the chemicals are manufactured and distributed at various stages, and to learn where the chemicals are destined.

The Hong Kong meeting also helped to lay a foundation for discussions and negotiations between concerned governments, which led to the passage of a resolution at the 49th Commission on Narcotic Drugs (the CND) in Vienna, Austria, in March of this year. The resolution, entitled "Strengthening Systems for Control of Precursor Chemicals Used in the Manufacture of Synthetic Drugs," involves the synthetic drug precursors previously mentioned, as well as preparations containing these substances and phenyl-2-propanone (P2P). The resolution calls on all nations who are signatories to the various United Nations' conventions dealing with drugs and precursor chemicals to provide to the INCB annual estimates of their legitimate requirements for these substances, and preparations containing these substances. The resolution also calls for nations to ensure that its imports of these substances are commensurate with their respective nation's legitimate needs and urges them to continue to provide to the INCB, subject to their national legislation and taking care not to impede legitimate international commerce, information on all shipments of these substances. The resolution further requests countries to permit the INCB to share the shipment information on these consignments with concerned law enforcement and regulatory authorities to prevent or interdict diverted shipments. While we consider this resolution an important first step, our ability to obtain additional information from the INCB is contingent upon nations providing the information requested pursuant to the resolution.

The DEA continues its work to ensure that only legitimate businesses with adequate chemical controls are licensed to handle bulk pseudoephedrine and ephedrine in the United States. In the past 7 years, over 2,000 chemical registrants have been denied, surrendered, or withdrawn their registrations or applications as a result of DEA investigations. Between 2001 and 2004, DIs physically inspected more than half of the 3,000 chemical registrants at their places of business. We investigated the adequacy of their security safeguards to prevent the diversion of chemicals to the illicit market and audited their recordkeeping to ensure compliance with federal regulations.

Combat Methamphetamine Epidemic Act of 2005

Internationally, the Combat Methamphetamine Epidemic Act of 2005 will expand the notice of importation to include all information known to the importer on the chain of distribution. If it is determined that an importer is refusing to cooperate in providing such information or DEA has concerns about the downstream customers, the DEA may issue an order prohibiting the importation of Scheduled Listed Chemical Products (SLCP). Further, the Act requires the DOS to identify the five largest exporting countries and the five largest importing countries with the highest diversion of SLCPs and provide an economic analysis of worldwide production as compared to legitimate demand.

Domestically, the Act provides effective new tools to use in the battle against methamphetamine. The ability of pseudoephedrine to be sold on the spot market will be effectively taken away. These transactions which were not regulated under current law will be treated as new imports or exports and, therefore, subject to 15 day advance notification during which DEA will verify the legitimacy of the transaction. In addition, DOJ has the authority to establish production and import quotas for ephedrine, pseudoephedrine, and phenylpropanolamine. These quotas will allow for the greater control of these precursors that are imported into the United States.

PHARMACEUTICAL CONTROLLED SUBSTANCES

The Administration's approach to the pharmaceutical controlled substance abuse problem strives to balance two general policy concerns. The first is to be aggressive in reducing prescription drug abuse. The second is to avoid overreaching and making the lawful acquisition of prescription drugs unduly cumbersome. As stated in the *Synthetic Drug Control Strategy*, the Administration is committed to balancing the need for prevention, education and enforcement with the need for legitimate access to pharmaceutical controlled substances.

DEA and DOJ are working to implement this aspect of the Strategy which is to stem the diversion of pharmaceutical controlled substances in the United States, while ensuring an uninterrupted supply for legitimate demands. Pharmaceutical controlled substances are diverted through several means, including illegal prescribing, theft, robbery, prescription forgery, doctor shopping, and the Internet.

The diversion of pharmaceutical controlled substances continues to be a significant challenge. Internet diversion of pharmaceutical controlled substances is especially difficult to investigate and overcome. Internet-based drug traffickers, most commonly selling pharmaceutical controlled substances or those marketed as such, often mask their activities as those of legitimate online pharmacies. The DEA Special Operations Division's Internet Investigation Unit coordinates Internet investigations and has been successful in the suspension of activities of numerous Internet pharmacies. The DEA will continue to bring forth legal action against doctors and pharmacies that illegally distribute pharmaceutical controlled substances via the Internet.

International Situation

A quick search on the Internet reveals thousands of sites offering pharmaceutical controlled substances for sale. Internet drug traffickers offer drugs for sale without a prescription, without benefit of a legitimate doctor-patient relationship, and at highly inflated prices. Recent DEA investigations involving Internet drug traffickers that use the façade of legitimate online pharmacies reveal these pharmaceutical controlled substances being sold at four to ten times the price offered by legitimate "brick and mortar" pharmacies.

Purchasing pharmaceuticals over the Internet exposes consumers to risks such as purchasing a product that is counterfeit, is improperly handled or stored, is contaminated, or is lacking any warnings or instructions for use. With few exceptions, the consumer has no idea of the content of the substances they are receiving. Internet drug traffickers who illegally offer pharmaceutical controlled substances through their websites frequently share characteristics, such as:

- Advertise that no prescription is necessary;
- Fail to participate in any insurance plan and require payment by credit card or cash on delivery;
- Offer a limited selection of medications for sale, mostly controlled substances and "lifestyle drugs;"
- Fail to request the name, address, and phone number of a current physician;

- Are willing to deliver drugs to a post office box or other location to avoid detection by authorities; and
- Deceptively and inaccurately advise about the law and why it is permissible to obtain pharmaceutical controlled substances from foreign countries via the Internet.

As part of the scheme, online "consultations" consisting of medical questionnaires filled out by an individual purport, yet fail, to create a legitimate doctor-patient relationship. A legitimate doctor-patient relationship generally includes a face-to face consultation, where a licensed physician can examine the physical symptoms reported by a patient before making a diagnosis and authorizing the purchase of a prescription medicine. Filling out a questionnaire, no matter how detailed, is no substitute for a legitimate doctor-patient relationship.

DEA's contention that no legitimate doctor-patient relationship exists during a transaction that involves only a questionnaire is shared by the medical profession. The Federation of State Medical Boards' (FSMB) policy on Internet prescribing affirms that the prescribing of medications by physicians based on an online medical questionnaire clearly fails to establish an acceptable standard of medical care. The American Medical Association (AMA) indicates that appropriate Internet prescribing involves a valid physician-patient relationship, including a physical examination (except in cases involving an on-call or cross-coverage situation, or where the prescription is made in consultation with another practitioner who supervises the patient's treatment). Further, the AMA supports action by state medical boards against physicians who fail to meet local standards of medical care when issuing prescriptions through Internet web sites.

The sale of these substances over the Internet is only one way that users illegally acquire pharmaceuticals. The DEA also investigates more traditional methods of diversion, including forged prescriptions, pharmacy robberies, unscrupulous doctors operating "pill mills" that essentially sell prescriptions and/or drugs after perfunctory or non-existent medical examinations, and pharmaceutical controlled substances that have been smuggled into the United States. A 2005 study by the National Center on Addiction and Substance Abuse (CASA) at Columbia University indicates the abuse of pharmaceutical controlled substances grew at a rate of twice that of marijuana, 5 times that of cocaine, and 60 times that of heroin between 1992 and 2003.

DEA Initiatives

Pharmaceuticals *can* be purchased safely and legally over the Internet but only if proper protocols are followed. Currently, there are only 12 DEA-registered pharmacies that have been included on a list of Verified Internet Pharmacy Practice Sites (VIPPS) compiled by the National Association of Boards of Pharmacy (NABP), an independent, non-profit organization of licensing boards. The NABP list identifies to the public those online pharmacy practice sites that are appropriately licensed, are legitimately operating via the Internet, and have successfully completed a rigorous criteria review and inspection. Most other Internet pharmaceutical controlled substance sales in the United States are legally suspect and potentially very dangerous.

The DEA focuses a significant amount of its resources on attacking PTOs, which are major drug supply and money laundering organizations operating at the international, national, regional, and local levels that have a significant impact on drug availability. Since October 2005, DEA has initiated over 236 investigations of online sales of controlled substances. In FY 2004, as a result of online pharmacy investigations, DEA seized over \$14.5 million in cash, bank accounts, property and computers—a 480 percent increase over 2003 (\$2.5 million). Two operations in particular warrant specific mention:

Operation CYBER CHASE

On April 19th and 20th, 2005, the DEA dismantled an international pharmaceutical controlled substance trafficking organization that supplied an estimated 100,000 "customers." As a result of this OCDETF investigation, the leader of the organization (Akhil Bansal) and 25 co-conspirators were arrested in 4 countries. Their web of operations, however, touched many, many more.

We know that, since at least July 2003, the Bansal organization was responsible for the illegal distribution of 2.5 million dosage units of controlled substances per month to more than 100,000 "customers" without a medical evaluation by a physician. Bansal, an Indian national, supplied 8 separate drug organizations that together operated over 200 websites with pharmaceutical controlled substances he arranged to be smuggled from India. The success of this operation required the cooperation of numerous international, federal, state, and local law enforcement agencies.

Operation CYBERx

On September 21, 2005, a 15-month OCDETF multi-agency Internet investigation concluded with the dismantlement of the Johar Saran drug trafficking organization based in Ft. Worth, Texas. The investigation resulted in 19 arrests including the leader of the organization, Johar Saran. This operation is the domestic bookend to Operation CYBER CHASE.

Saran and his co-conspirators were arrested for supplying pharmaceutical controlled substances directly to U.S. Internet customers without a medical examination by a physician. We believe that since August 2004, the Saran organization was responsible for the illegal distribution of 3.5 million dosage units of Schedule III-V controlled substances per month.

To date, this investigation has resulted in the seizure of \$16.8 million in assets-\$1 million in U.S. currency, \$5.5 million in bank accounts, \$8.6 million in real property, and \$1.7 million in jewelry. Immediate suspension orders against the DEA registrations of 21 pharmacies and 20 physicians were served in Texas, New York, Florida, Utah, Washington State, and Puerto Rico. The success of this operation was the result of cooperation by several other Federal and state law enforcement agencies.

Cooperation between the DEA and our international, federal, state, and local law enforcement partners is of particular importance when we are discussing Internet investigations. Traditional geographic lines of jurisdiction do not exist on the Internet, yet law enforcement must abide by such limits. This means that collaboration is a key component to successfully investigating and arresting those who are nothing more than drug dealers utilizing the anonymity of the Internet to ply their trade.

A federal interagency task force was established in early 2004 with the purpose of addressing Internet diversion of drugs and conducting public outreach on pharmaceutical issues, in general. Among other groups, DEA, Office of National Drug Control Policy (ONDCP), Immigration and Customs Enforcement (ICE), Customs and Border Patrol (CBP), and Food and Drug Administration have been represented at task force meetings. A major focus of this evolving task force has been to reach out to business leaders in key industry sectors that provide services used by Internet pharmaceutical trafficking groups, including providers of Internet services, express parcel delivery, and financial services.

The task force also has provided support to DEA through ICE and CBP special authorities. ICE and CBP have primary jurisdiction in the enforcement of trans-border smuggling laws and periodically conduct interdiction operations at international mail facilities to identify packages containing illicit pharmaceuticals. The task force meets quarterly and is currently evaluating options for establishing a single reporting point for businesses to report suspicious Internet pharmaceutical sites.

DEA coordinates this industry outreach on behalf of the task force. The purpose of this outreach has been threefold: (1) to raise awareness of the growing problem of pharmaceutical diversion via the Internet; (2) to elicit voluntary efforts to restrict legitimate business services from being used by illicit Internet drug traffickers; and (3) to identify potential sources of data maintained by the above businesses that may aid in targeting enforcement efforts against the largest illicit Internet drug trafficking organizations.

To successfully ply their trade, Internet drug traffickers must rely extensively on the commercial services of three principal business sectors: (1) providers of various Internet services, including web hosting, domain name registration, and search; (2) express package delivery companies; and (3) financial services companies, including major credit card companies and third party payment service providers. The DEA has reached out to each of these sectors and is working to educate and facilitate their assistance in shutting down Internet drug trafficking operations.

Several interagency meetings have been held with senior managers and legal counsel from leading Internet, parcel carrier, and financial services companies. DEA is following up these meetings directly with key companies to further develop efforts to combat the diversion of pharmaceuticals via the Internet. These meetings provide an opportunity for government and the private sector to reach a better understanding of relevant federal laws and explore areas of potential cooperation and voluntary industry action to curb the expanding illicit sale of pharmaceuticals over the Internet.

DEA Field Offices have also taken action against this threat. DIs conduct on-site licensing inspections to ensure that the pharmacy is aware of its responsibilities under the law. New pharmacy applicants or those seeking a renewal through on-line procedures are now linked to the April 2001 Federal Registrant Guidance Document regarding "Dispensing and Purchasing Controlled Substances over the Internet." A pop up link, titled "Retail Pharmacy Advisory," takes the applicant to the aforementioned Federal Register notice outlining important information for prescribers, pharmacists, and law enforcement officials.

During the CYBERx investigation, the DEA discovered that the main suppliers were legitimate DEA registrants. While DEA didn't discover any criminal negligence in this case, we did implement the Internet Distributor Initiative to increase awareness of DEA registrants regarding their obligations and possible role in the illegal distribution of pharmaceuticals via the Internet. Based on these meetings, the distributors voluntarily reviewed their customer base and apprised DEA of the termination of business with over 100 known or suspected illegitimate Internet drug trafficking organizations. An analysis of these pharmacies' buying patterns from January - September 2005 revealed over 60 million dosage units of controlled substances had been purchased.

Because of this initiative, many illegal Internet pharmaceutical sites are now unable to purchase large quantities of controlled substances for illegal sale domestically. While this is an effective approach to go after some domestic sources of illegal pharmaceuticals supplying the Internet, this will not affect foreign sources of pharmaceuticals. The global nature of the Internet adds to this challenge, as many substances which are controlled in the United States are not controlled elsewhere. Therefore, offering these substances for sale on line is not illegal, per se.

As a consequence of these and other initiatives, DEA is able to effectively monitor both the supply and dispensing sides of the domestic Internet drug trafficking problem. The communication between the DEA and the distributors continues to increase. An example of increased cooperation is the fact that distributors are notifying DEA of potential targets, unusual purchasing patterns, and queries from the potential illegitimate Internet pharmacies who have been effectively cut off from supplies by this initiative.

Although no special DEA registration is currently required to market controlled substances online, the tangible aspects of manufacturing, distributing, prescribing, and dispensing pharmaceutical controlled substances remain squarely under the jurisdiction of the Controlled Substances Act. Any legitimate transaction over the Internet must be in compliance with these existing laws. Additional clarification of the roles and responsibilities for professionals seeking to use the Internet to meet the needs of clients would not only allow us to more readily identify legitimate online pharmacies and persons operating and promoting them, but it would also assist in gathering information pointing to abuse patterns. Such clarification would also help us investigate drug traffickers hiding behind the façade of an otherwise legitimate practice.

Additionally, there exists no statutory definition of a valid "doctor/patient" relationship, and the penalties associated with the illegal sale of Schedule III-V substances are not as significant as may be warranted. This does not mean, however, that Internet drug traffickers can operate freely, as demonstrated by Operations CYBERx and CYBER CHASE.

The DEA will continue to promote collaborative actions and use our existing authority to investigate and arrest individuals illegally selling controlled substances. The increasing support we receive from key sectors of the Internet-related business community is essential to turning the tide in this critical area of drug trafficking and abuse. The DEA is committed to developing this relationship even further.

DEA'S PREVENTION AND EDUCATION EFFORTS

In an effort to provide further information to America's youth about the dangers of methamphetamine, the DEA developed and launched its website entitled "justthinktwice.com." This website is devoted to and designed by teenagers to give them the hard facts about methamphetamine and other illicit drugs. Through this website, the DEA is telling teens to "think twice" about what they hear from friends, popular culture, and adults who advocate drug legalization. Information is also provided regarding the harm drugs cause to their health, their families, the environment, and to innocent bystanders.

In addition to our investigative efforts aimed to shut down illegal drug sales over the Internet, DEA is working with the state authorities and representatives of the pharmacy and medical communities to disseminate information regarding activities that can legally be conducted via the Internet

OTHER SYNTHETICS

DEA continues to act judiciously with respect to all synthetic drugs including, among others, fentanyl, MDMA, GHB and LSD. DEA has reacted swiftly to recent overdose events stemming from fentanyl-related consumption. Fentanyl is the drug most often presented for illicit sale as heroin and is 30 to 50 times as potent as heroin. It has recently appeared across the country in some cities and resulted in overdoses and fatalities. Multiple investigations have been opened in an effort to disrupt and eliminate this synthetic threat to our communities. Ultimately, it is the goal to dismantle either organizations or independent groups that are producing such dangerous substances and to destroy the source labs. DEA's regulatory section has initiated action to commence the regulation of key fentanyl precursor chemicals, including a starting material known as 1-phenethyl-4-piperidone (NPP) and an intermediate precursor chemical known as 4-anilino-N-phenethyl-piperidone (ANPP).

CONCLUSION

The DEA continues to fight synthetic drugs on all fronts. The *Synthetics Drug Control Strategy* provides DEA and contributing agencies a framework to continue the ongoing efforts and chart new strategies to achieve domestic and international progress against methamphetamine and other synthetic drug trafficking and abuse. A concerted organizational attack is the focus of our effort to counter drug traffickers

utilizing the Internet to facilitate their illicit trade. DEA's core competency, the disruption and dismantlement of drug trafficking organizations impacting the United States, is an integral component to *Synthetics Drug Control Strategy*.

Based on the international nature of the threat that methamphetamine and other synthetic drugs pose, cooperative efforts among nations become not just important—but vital-- in combating this menace. For methamphetamine, international precursor chemical control is critical to DEA's responsibilities in helping to achieve the Administration's ambitious goals set forth in the Strategy.

Thank you for the opportunity to appear before you today to discuss this important issue. I will be happy to answer any questions that you may have.